

RIVERSIDE FOREST PRODUCTS LIMITED



**ANNUAL
INFORMATION
FORM
2000**

December 8, 2000

Riverside Forest Products Limited

Annual Information Form 2000

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INTRODUCTION

Riverside Forest Products Limited ("the Company" or "Riverside") is engaged in the business of harvesting timber and producing lumber, plywood, veneer and wood chips. The Company has a broad market for its products, which are sold in Canada, the United States, Japan and numerous countries in the European Economic Community. Solid wood products and wood chips are produced at Riverside's four stud lumber sawmills, one dimension lumber sawmill, two plywood plants and one veneer plant. In addition, the Company operates a remanufacturing facility, whole log chipping facilities, a tie treating and processing facility and a seedling nursery and seed orchard.

GLOSSARY OF TERMS

In this Annual Information Form a reference to the "Company" or to "Riverside", means Riverside Forest Products Limited and its predecessors and subsidiaries, but does not include Cantree unless otherwise specified.

Certain terms used herein are defined as follows:

"AAC" refers to allowable annual cut - the volume of timber which the holder of a licence from the Crown in right of British Columbia may harvest under the licence in any given year.

"bdu" means bone dry unit and "mbdu" means thousand bone dry units.

"CFI" means Crown Forest Industries Limited.

"CFI Assets" means the business and assets of Crown Forest Industries Limited's Southern Interior Wood Products Division acquired by the Company in November, 1992.

"fbm" means foot board measure (one square foot of lumber, one inch thick).

"JBFPL" means Jacobson Bros. Forest Products Ltd., which changed its name to Riverside Forest Products (Williams Lake) Limited on April 20, 1994 and amalgamated with the Company on October 1, 1995.

"mmfbm" means million foot board measure and "mfbm" means thousand foot board measure.

"mmsf" means million square foot measure on a 3/8 inch thick basis and "msf" means thousand square foot measure on a 3/8 inch thick basis.

"SPF" means the species of wood assigned the common commercial designation S-P-F or spruce-pine-balsam-fir in accordance with the National Lumber Grading Association standard grading rules for Canadian lumber.

"Soda Creek" means Riverside Forest Products (Soda Creek) Limited which owned the studmills, finger joint plant, whole log chipping facility and associated timber processing facilities at Williams Lake, British Columbia and the tie treating and processing plant at Ashcroft, British Columbia acquired by the Company on June 23, 1997 from TFL, and which amalgamated with the Company on October 1, 1998.

"TFL" means TimberWest Forest Limited.

"TSA" means timber supply area.

"Williams Lake Facility" means the random length sawmill and associated timber processing facilities at Williams Lake, British Columbia acquired by the Company on April 19, 1994 through the purchase of JBFPL.

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Information in this Annual Information Form
is as of December 8, 2000 unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Selected Financial Information

The following table shows selected financial information of the Company for the last five fiscal years.

	Fiscal Years Ended September 30				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997⁽¹⁾</u>	<u>1996</u>
	(\$000's except per share amounts)				
Sales.....	\$ 515,495	\$ 546,826	\$ 450,942	\$ 414,739	\$ 368,159
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 42,492	\$ 105,771	\$ 29,416	\$ 27,261	\$ 21,469
Depreciation and amortization	\$ 27,348	\$ 24,366	\$ 26,806	\$ 19,897	\$ 21,044
Interest on long-term debt.....	\$ 10,444	\$ 14,781	\$ 11,625	\$ 8,904	\$ 5,659
Net earnings (loss)	\$ 1,397	\$ 38,558	\$ (7,845)	\$ (2,532)	\$ (3,580)
Net earnings (loss) per common share.....	\$.16	\$ 4.19	\$ (0.85)	\$ (0.32)	\$ (0.47)
Cash flow from operations before changes in non-cash operating working capital	\$ 27,602	\$ 69,614	\$ 14,783	\$ 18,262	\$ 20,289
Cash flow from operations.....	\$ (21,190)	\$ 95,828	\$ 35,161	\$ 3,085	\$ 13,811
Cash flow from operations per common share ..	\$ (2.36)	\$ 10.42	\$ 3.82	\$ 0.39	\$ 1.82
Weighted average shares outstanding.....	8,987,618	9,199,493	9,199,493	7,999,493	7,599,493
Shares outstanding at year end.....	8,807,893	9,199,493	9,199,493	9,199,493	7,599,493
Cash dividends declared per common share	\$.24	\$ 0.06	\$ 0.04	\$ 0.16	\$ 0.31
Working Capital.....	\$ 102,384	\$ 112,493	\$ 82,919	\$ 80,181	\$ 88,096
Total assets	\$ 369,812	\$ 418,688	\$ 371,272	\$ 372,337	\$ 304,491
Long term debt - before deducting current portion					
in U.S.\$	\$ 82,000	\$ 82,000	\$ 102,000	\$ 102,000	\$ 77,000
in CDN\$	\$ 121,360	\$ 120,253	\$ 156,182	\$ 139,944	\$ 105,644
Shareholders' equity	\$ 160,394	\$ 168,860	\$ 130,854	\$ 139,067	\$ 119,273
Invested capital	\$ 281,754	\$ 289,113	\$ 287,036	\$ 279,011	\$ 224,917
Ratio and Investment Information					
EBITDA as a percentage of sales	8.2%	19.3%	6.5%	6.6%	5.8%
Interest coverage (EBIDTA / interest).....	4.1	7.2	2.5	3.1	3.8
Long-term debt, before current portion, as a percentage of invested capital.....	43.1%	41.6%	54.4%	50.2%	47.0%
Return on average shareholders' equity.....	.8%	25.7%	(5.8)%	(2.0)%	(2.9)%
Return on average invested capital	.5%	13.4%	(2.8)%	(1.0)%	(1.8)%
Equity per share	\$ 18.21	\$ 18.36	\$ 14.22	\$ 15.12	\$ 15.69
Capital expenditures	\$ 25,935	\$ 10,248	\$ 13,144	\$ 33,043	\$ 17,357

(1) Includes Soda Creek for the period from June 23, 1997 to September 30, 1997.

Selected financial information for the last eight quarters is as follows:

Quarter Ending	Net Sales (\$000)	EBITDA	Net Earnings (loss) (\$000)	Net Earnings (loss) per Common Share
December 31, 1998	\$ 118,919	\$ 13,557	\$ 1,751	\$ 0.19
March 31, 1999	133,572	22,319	7,119	0.77
June 30, 1999	144,805	32,480	13,006	1.42
September 30, 1999	<u>149,530</u>	<u>37,415</u>	<u>16,682</u>	<u>1.81</u>
	<u>\$ 546,826</u>	<u>\$ 105,771</u>	<u>\$ 38,558</u>	<u>\$ 4.19</u>
December 31, 1999	\$ 121,773	\$ 14,853	\$ 3,195	\$ 0.35
March 31, 2000	145,339	20,981	7,024	0.78
June 30, 2000	126,209	12,538	1,342	0.15
September 30, 2000	<u>122,174</u>	<u>(5,880)</u>	<u>(10,164)</u>	<u>(1.15)</u>
	<u>\$ 515,495</u>	<u>\$ 42,492</u>	<u>\$ 1,397</u>	<u>\$ 0.16</u>

Comparison of 2000 and 1999 Operating Results

Market conditions for all of Riverside's products, other than wood chips, deteriorated in 2000 from those experienced in 1999. Sales volumes also decreased for lumber, panel-based products and wood chips. The combination of reduced overall market pricing and reduced sales volumes resulted in a \$31.3 million reduction in sales dollars from 1999. Fibre costs increased by \$26 million predominantly as a result of stumpage increases, while mountain pine beetle infestations resulted in lower quality logs being brought into the operations. This resulted in not only higher fibre costs per unit of production, but also in lower product recoveries and higher costs of conversion. Inventories of products and logs were written down by \$4.2 million as at September 30, 2000 to reflect market conditions. All of the capital and productivity improvements undertaken over the last five years have provided good returns, but unfortunately have resulted in an over-capacity situation in the Company's Okanagan lumber mills. Consequently, effective October 15, 2000 the Lumby studmill curtailed production permanently. The veneer plant, which is still one of the most modern plants in North America, will continue to operate alongside a small recovery sawmill producing less than 5 million board feet of annual production. In order to accomplish this curtailment, a hiring freeze was implemented in the Armstrong and Kelowna operations, an agreement was established with the Okanagan plywood dry-end employees and severance and early retirement packages were offered to certain Okanagan employees. Although this decision and the benefits that come from it have ongoing value, total employee and administrative costs of the curtailment in the amount of \$6.9 million were recorded as an expense in the September 2000 quarter. This permanent curtailment has had the effect of increasing the Company's competitive position in the market place. The loss incurred by the Lumby studmill for the September 2000 year amounted to \$6.1 million on a pretax basis, a loss which will be avoided in the future.

The Company prepaid U.S. \$20.0 million in debt on May 27, 1999, incurring a prepayment penalty and realized foreign exchange loss during fiscal 1999. As a result, interest expense was \$4.3 million lower in the 2000 fiscal year compared to 1999.

Depreciation and amortization increased by \$3 million over 1999, while all other general and administrative expenses, net of income, were \$2 million lower than one year ago.

As a result of all of the above effects, Riverside's earnings on a pre-tax basis decreased from \$66.6 million in 1999 to \$4.7 million in 2000.

Production volumes

The production volumes resulting from the Company's operations for the last two years were as follows:

	Fiscal Year Ended September 30	
	2000	1999
Stud lumber (mmfbm)	465	466
Dimension lumber (mmfbm)	218	211
Plywood (mmsf)	396	402
Veneer (mmsf)	167	169
Chips (mbdu)	619	636
Logs utilized (thousand m ³)	3,703	3,706

The Company's operations ran at normal levels of production throughout fiscal 2000 and consequently produced very similar volumes to those experienced in 1999. However, because the log diet delivered to the mills consisted largely of fibre infested by the mountain pine beetle, log recoveries were lower than those experienced in 1999 and consequently more fibre per m³ was utilized to produce those volumes. In addition a lower volume of incremental pulp logs was utilized in chip production in 2000 than 1999.

Sales dollars, volumes and realizations

Riverside's sales to third party customers for the past two years from the various product lines were as follows:

	Fiscal Year Ended September 30			
	2000		1999	
	(\$000)	%	(\$000)	%
Lumber - stud	\$ 179,662	34.9	\$ 203,362	37.2
Lumber - dimension	83,606	16.2	89,249	16.3
Plywood.....	140,251	27.2	154,627	28.3
Veneer	20,562	4.0	24,597	4.5
Wood chips and fibre	66,571	12.9	54,773	10.0
Bins and pallets	7,757	1.5	2,157	0.4
Ties and treating	16,405	3.2	18,061	3.3
Other	681	0.1	-	-
	<u>\$ 515,495</u>	<u>100.0%</u>	<u>\$ 546,826</u>	<u>100 %</u>

For the years ended September 30, 2000 and 1999, the Company's sales volumes and realizations on a unit basis were as follows:

	2000		1999	
	Volumes	\$	Volumes	\$
Stud lumber.....	452,897 mfbm	396	474,407 mfbm	429
Dimension lumber	204,840 mfbm	408	193,545 mfbm	461
Plywood.....	391,722 msf	356	398,327 msf	388
Veneer.....	87,686 msf	230	96,802 msf	254
Wood chips	616,675 bdu	108	635,742 bdu	86

The world-wide geographical sales distribution by volume for the past three years for the Company's principal products of lumber and plywood has been as follows:

Lumber sales distribution	2000		1999		1998	
	Volume	%	Volume	%	Volume	%
Canada.....	159,824	24	179,577	27	153,688	25
United States	430,268	65	429,527	64	414,336	67
Japan.....	59,747	9	53,610	8	42,405	7
Other.....	7,898	2	5,258	1	5,700	1

Plywood sales distribution

Canada.....	245,010	63	227,936	57	198,055	60
United States	67,980	17	59,791	15	18,120	6
Japan.....	69,563	18	87,457	22	80,888	25
Europe	9,169	2	23,143	6	30,327	9

Comparative sales volumes increased or decreased over 1999 on a percentage basis as follows:

	% increase / (decrease)	Sales Volume		
		2000	1999	1998
Stud lumber (mfbm)	(5) %	452,897	474,407	443,517
Dimension lumber (mfbm)	6 %	204,840	193,545	172,612
Plywood (msf)	(2) %	391,722	398,327	327,390
Veneer (msf)	(9) %	87,686	96,802	83,844
Wood chips (bdu)	(3)%	616,675	635,742	544,210

Percentage increases or decreases in net mill sales realizations were as follows:

	% increase / (decrease)	\$ / Unit		
		2000	1999	1998
Stud lumber (mfbm)	(8) %	396	429	413
Dimension lumber (mfbm)	(11) %	408	461	421
Plywood (msf)	(8) %	356	388	326
Veneer (msf)	(9) %	230	254	206
Wood chips (bdu)	26 %	108	86	82

The following factors influenced sales volumes and realizations.

Lumber, Plywood & Veneer

North American consumption of structural panel and lumber products, although somewhat softer in 2000 than 1999, remained at historical levels. The Japanese market place weakened slightly, while the European market is past self-sufficiency for supply and European producers are becoming a competitor in our traditional market areas.

Average lumber prices for the year at \$396/mfbm for studs and \$408/mfbm for dimension lumber were 8% and 11%, respectively, below fiscal 1999 prices. Although demand was strong, over-capacity in the marketplace reduced prices, particularly throughout the last six months in the year. Sales volumes at 658 million board feet were 1% lower than in 1999.

Veneer-based prices for the year at \$356/msf for plywood and \$230/msf for veneer, following a similar pattern to lumber, were 8% and 9%, respectively, below levels of one year ago. Reduced recoveries required a greater volume of veneer in the plywood process and consequently 88 million square feet, or 9% less than in 1999, was available for external sales. Plywood sales were 2% lower than in 1999, predominantly as a result of a slowdown in sales in the third quarter of 2000.

Wood Chips

Strong pulp markets throughout 2000 resulted in pricing for chips rising 26% during the year. Supply, however, was tight and consequently volumes reduced by 3% from 1999 to 616,675 bone-dry units. Wood chip sales accounted for \$66.5 million (1999 - \$54.8 million) or 12.9% of sales (10% - 1999) and were sold under long-term supply contracts to pulp mills in the central and southern interior region of British Columbia.

Canada U.S. Softwood Lumber Agreement

The Canadian government entered into the Canada-U.S. Softwood Lumber Agreement in April 1996 to avoid costly countervailing duty actions that had been threatened by the United States. Under the agreement, 14.7 billion board feet of lumber from the Provinces of British Columbia, Alberta, Ontario and Quebec can enter the United States annually with no export tax. This represents a reduction in shipments of approximately 9% from 1995 levels. Exports in excess of this level, or in excess of a quarterly maximum of 28.75% of the annual quota, will incur a U.S. \$53.94 per mfbm export tax (Lower Fee Base), after which shipments will attract a U.S. \$107.88 per mfbm export tax (Upper Fee Base). This agreement expires March 31, 2001.

The annual quota of 14.7 billion board feet is allocated by the federal government to companies in the affected Provinces. The allocation is based on historical shipment volumes and goes to primary producers and to remanufacturers. Wholesalers do not receive direct allocation, but commitments have been made by the primary producers that they will continue to use wholesalers as distributors to the U.S. on a "business as usual" basis.

On August 20, 1999 the Government of Canada and the Government of the United States agreed to a Stumpage Arbitration Settlement. B.C. companies in each of years 4 and 5 of the Softwood Lumber Agreement (SLA) will see 25% of their Lower Fee Base Volume (LFB) re-priced to the Upper Fee Base (UFB) level. Revised Upper Fee Base (RUFB) shipments in years 4 and 5 of the (SLA) will be re-priced at U.S. \$148.27.

Although the Company's quota allocation did not cause the Company to alter its production levels, it affected the geographic market mix of sales with a lower percentage sold into the U.S. in 1999 compared to 1998 and a higher percentage sold into Canada.

Fibre Costs

Over the past eight years, fibre costs have fluctuated as follows:

<u>Year</u>	<u>Total cost per m³</u>	<u>% (increase) / decrease over prior year</u>
1993	\$46	n/a
1994	\$59	(28)%
1995	\$71	(20)%
1996	\$76	(7)%
1997	\$79	(4)%
1998	\$72	9%
1999	\$65	10%
2000	\$73	(12)%

Fibre costs increased during 2000 predominantly as a result of increased stumpage related to the higher realizations experienced in the September 1999 quarter. Overall fibre costs of \$261 million in 2000 were \$26 million higher than in 1999, while logs utilized decreased by 3,000 m³ to 3,703,000 m³ in 2000.

Labour

The Armstrong, Kelowna, Lumby, Soda Creek and Williams Lake manufacturing operations of the Company have a unionized workforce, the employees of which are members of I.W.A. - Canada. The existing I.W.A. contract expired on June 30, 2000 and was renewed shortly thereafter. Based on the contract, wages increased by 2% on July 1, 2000, and will increase by 2% on July 1, 2001 and 2% on July 1, 2002.

On January 1, 1998 the Company introduced a defined contribution (DC) pension plan. At that time, salaried employees were given the option to convert from the existing defined benefit plan to the new plan. 58% of eligible employees converted to the DC plan. All future salaried employees will be entitled to participate in the DC plan only.

Wages of salaried employees were increased by an average of 2% as of May 1, 2000.

Capital Expenditure Program

The Company's objective is to position itself to realize quickly on market opportunities, while maintaining its manufacturing facilities in a technologically efficient state. The Company's goal is to maintain its competitive edge as an efficient, low-cost producer of solid wood products, while acting responsibly with respect to the forest resource. To achieve this goal, capital expenditure projects are analyzed for their ability to improve recoveries, reduce costs and add value. Those that are expected to produce paybacks in less than two years are given priority. Environmental projects are analyzed on a proactive basis and given priority, where appropriate.

For the six years ended September 30, 2000, Riverside spent \$131.8 million on various value added, environmental and maintenance of business projects. The following table summarizes capital expenditures during the periods indicated.

	<u>Year Ended September 30</u> (millions of dollars)						
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>Total</u>
Adding value	\$ 9.2	\$ 7.1	\$ 5.6	\$ 26.9	\$ 12.2	\$ 27.3	\$ 96.3
Environmental	8.4	.6	2.4	2.8	1.5	1.9	9.6
Maintenance of business	8.3	2.5	5.1	3.3	3.7	3.0	25.9
Total	<u>\$ 25.9</u>	<u>\$ 10.2</u>	<u>\$ 13.1</u>	<u>\$ 33.0</u>	<u>\$ 17.4</u>	<u>\$ 32.2</u>	<u>\$131.8</u>

The most significant benefits of the capital program are that when compared to 1995, fewer logs per unit of product are being utilized in the production process while product volumes are increasing and resultant conversion costs, on a unit basis, are decreasing.

Normal Course Issuer Bid

The Company believes that from time to time the purchase of its Common shares at prevailing market prices is a worthwhile investment and in the best interest of the Company and its shareholders.

Accordingly, the Company filed with The Toronto Stock Exchange a notice of intention to make a normal course issuer bid for certain of its common shares. Under the notice, the Company was entitled to purchase up to 459,974 common shares, approximately 5% of the outstanding common shares on the date of the notice during the one-year period commencing October 22, 1999 and ending on October 21, 2000. 391,600 common shares were purchased under the issuer bid in fiscal 1999. A further 3,900 common shares have since been purchased under the bid. The purchases were effected through the facilities of The Toronto Stock Exchange in accordance with the rules of the Exchange. The aggregate 395,500 shares purchased by the Company in the normal course issuer bid which were purchased at an average cost to the Company of \$19.66 per share, have been cancelled.

The Company has since filed with the Toronto Stock Exchange a further notice of intention to make a normal course issuer bid, pursuant to which the Company is entitled to purchase up to 440,199 common shares during the one-year period commencing October 26, 2000 and ending on October 25, 2001.

Financial Position

Shareholders' equity decreased by \$8.5 million during fiscal 2000 as a result of the \$1.4 million in net earnings for the year, the payment of \$2.2 million in dividends to common shareholders, and the repurchase of 391,600 common shares for a total consideration of \$7.7 million. Consistent with the Company's dividend policy to pay a dividend at a rate that is sustainable over a range of economic conditions, the Board of Directors decided to suspend the quarterly dividend effective with the January 1998 dividend. With the improved economic results of the 1999 fiscal year the Board reintroduced the payment of the quarterly dividend effective with the August 1999 dividend. Shareholders' equity was \$160.4 million as at September 30, 2000 compared to \$168.9 million (\$18.21 per share compared to \$18.36 per share) at the end of 1999.

Long-term debt was reduced to US \$82 million on May 27, 1999 when the Company made a prepayment of US \$20.7 million. This amount included a prepayment penalty of approximately US \$650,000 with an additional realized foreign exchange loss of \$2 million, included in interest expense for the 1999 year. The first payment on the debt in the amount of US \$3.5 million is now due May 30, 2001. The Company also negotiated a two-year committed revolving loan facility to a maximum of US \$25 million, available for the period from May 27, 1999 to June 30, 2001.

Cash generated from operations before changes in non-cash operating working capital decreased from \$69.6 million for 1999 to \$27.6 million for 2000. Net cash flow from operations was an outflow of \$21.2 million for 2000 compared to an inflow of \$95.8 million for 1999. Working capital excluding cash increased from \$13.4 million in 1999 to \$59.5 million in 2000, a change of \$46.1 million. The change consists predominantly of the following three items:

- 1) As a result of losses incurred for income tax purposes in 1999, tax installments were not required to be paid for 1999. Payment of the 1999 corporate income taxes and current installments for the 2000 year utilized \$25 million.
- 2) During 1998 the B.C. Government instituted a stumpage deferral system, which affected the 2000 year by \$10.7 million.
- 3) In order to take advantage of anticipated decreases in stumpage, logging was slowed down in September of 2000, resulting in a decrease of \$12 million from 1999 in amounts payable to contractors.

Capital asset additions were \$25.9 million for the 2000 year (1999 - \$10.2 million). Total assets at September 30, 2000 were \$370 million compared to \$419 million at September 30, 1999.

The above activities and expenditures resulted in a \$56.1 million decrease in the Company's cash position from \$99 million at September 30, 1999 to \$43 million at September 30, 2000. Riverside's working capital position decreased to \$102.4 million at September 30, 2000 from \$112.5 million at the end of 1999.

Earnings Sensitivities

Revenues from the sale of the Company's products are subject to supply and demand and are therefore subject to price changes, which affect earnings. With the exception of stumpage fees payable to the provincial government the costs of producing the Company's products are not as susceptible to significant changes.

The Company's export sales of lumber are principally denominated in United States dollars and, accordingly, a significant change in the exchange rate for the Canadian dollar against the United States dollar will have a significant effect on the Canadian dollar amounts realized.

The effect on the Company's net income and earnings per common share from changes in the price of lumber, plywood, veneer and wood chips, from changes in log costs, and from changes in United States currency exchange rates is illustrated in the following table based on the anticipated level of sales volumes in 2001 and a 40% income tax rate:

	<u>Unit Change</u>	<u>Annual effect on 2001:</u>		
		<u>EBITDA (\$000)</u>	<u>Net Income (\$000)</u>	<u>Earnings per share</u>
Lumber (mbm)	\$10	6,050	3,630	\$0.41
Plywood (msf)	\$10	4,050	2,430	\$0.28
Veneer (msf)	\$10	933	560	\$0.06
Chips (bdu)	\$10	5,950	3,570	\$0.41
Log Costs (m ³)	\$2	6,764	4,058	\$0.46
Exchange rate (based on \$.66 for fiscal 2000)	\$0.01	3,600	2,160	\$0.25
Interest rate	1%	840	504	\$0.06

Other Considerations and Uncertainties Affecting the Company

Forest Tenures

Under the terms attached to tree farm licences and forest licences, the Ministry of Forests periodically assesses the amount of AAC available to the forest industry in British Columbia. Such assessments may result in a reduction of the Company's total AAC without certainty as to the likelihood or amount of compensation.

The timber supply assessments completed to date by the Ministry of Forests have not resulted in any significant change to the Company's AAC. The Province of British Columbia has commenced a policy review of the provincial timber tenure system, the results of which could affect the tenures held by the Company.

Environmental Matters

As a result of changing public concern about timber harvesting practices, claims for competing land use and preservation of mature and old growth forests, laws and regulations have been enacted that may affect future forest management decisions, including the British Columbia Forest Practices Code. Special interest groups have taken

action in a number of areas in British Columbia to prevent logging by forestry companies and are lobbying to have lands withdrawn from timber production. Some special interest groups have also attempted to deter European and United States purchasers from buying British Columbia forest products. In addition, growing public concern over emissions and discharges by industry production facilities has resulted in increasingly stringent regulatory requirements, resulting in increased compliance and administrative costs.

Land Claims

Native groups in British Columbia have claimed substantial portions of the province as land which they own or in which they have an interest and in respect of which they are seeking treaty rights and compensation from various levels of government. Some native groups have commenced logging on provincial Crown lands without provincial permits to do so. Land claim settlements over the next ten years may result in increased aboriginal participation on the public land on which Riverside harvests its timber.

Outlook

With the Lumby studmill curtailment, sales volumes of lumber for fiscal 2001 are anticipated to be 50 million feet lower than 2000. Plywood, veneer and wood chip volumes are anticipated to be at similar levels for 2001 as those experienced in 2000.

Sales realizations are subject to price fluctuations based upon the economy of the day and global market conditions. We do however anticipate difficult trading conditions over the first six months of fiscal 2001 for the Company's lumber and plywood products. The market for pulp is anticipated to remain stable and consequently wood chip pricing should continue at current levels. Fibre costs will be reduced as a result of reductions in stumpage rates while the focus on operating efficiencies and cost effective operations will continue.

The future will have its challenges, but we believe that Riverside's objective of being cash positive at the bottom of the cycle will be achieved throughout the downturn in the market.

Investors are cautioned that actual results may vary materially from those described, anticipated, projected or implied herein. Factors that may result in such variance include changes in interest rates, commodity prices and other economic conditions; actions by competitors; changing weather conditions and other natural phenomena; actions by government authorities; technological developments; future decisions by management in response to changing conditions; and misjudgments in the course of preparing forward-looking statements.

Earnings sensitivity analysis is provided above to illustrate the effect on the Company's net income and earnings per share of changes in:

- a) the prices of lumber, plywood, veneer and wood chips;
- b) the cost of logs;
- c) the U.S./Canada exchange rate; and
- d) interest rate.

**CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2000
Responsibility of Management**

The management of Riverside Forest Products Limited is responsible for the preparation, as well as the integrity, of the accompanying consolidated financial statements and all related financial data contained in the annual information form. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include amounts that represent the best estimates and judgments of management. The Company has developed a system of internal accounting control over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced.

The consolidated financial statements have been examined by the Company's auditors, KPMG_{LLP}, and they have issued their report thereon.

The Board of Directors is responsible for overseeing management in the performance of its responsibilities for financial reporting. The Board exercises its responsibilities through the Audit Committee, which is composed of five Directors, three of whom are not officers or employees of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.



G.W. STEELE
President and Chief Executive Officer



M.E. MOORE
Chief Financial Officer

Kelowna, B.C.
October 23, 2000

AUDITORS' REPORT

To the Shareholders of

RIVERSIDE FOREST PRODUCTS LIMITED

We have audited the consolidated balance sheets of Riverside Forest Products Limited as at September 30, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the two year period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2000 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis.

Vernon, Canada
October 18, 2000

KPMG_{LLP} *(Signed)*
Chartered Accountants

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Balance Sheets

September 30, 2000 and 1999 (in thousands of dollars)

	2000	1999
Assets		
Current assets:		
Cash (note 2)	\$ 42,924	\$ 99,057
Accounts receivable (note 3)	49,579	41,147
Inventories (note 4)	67,805	68,094
Prepaid expenses	2,235	3,113
	162,543	211,411
Investments and advances	2,447	2,078
Capital assets (note 5)	198,438	197,524
Deferred financing costs, net of accumulated amortization	1,761	2,561
Deferred unrealized foreign exchange loss	4,623	5,114
	\$ 369,812	\$ 418,688

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 60,159	\$ 98,918
Reforestation obligation (note 6)	10,839	10,839
Long-term debt (note 7)	116,229	120,253
Other long-term liabilities	4,607	3,482
Deferred income taxes	17,584	16,336
Shareholders' equity:		
Share capital (note 8)	77,839	81,300
Retained earnings	82,555	87,560
	160,394	168,860
	\$ 369,812	\$ 418,688

Contingency (note 9)

Approved by the Board:

Gordon W. Steele
Director

Gerald E. Raboch
Director

See accompanying notes to financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Earnings and Retained Earnings

Years ended September 30, 2000 and 1999 (in thousands of dollars)

	2000	1999
Sales (note 10)	\$ 515,495	\$ 546,826
Cost of sales	456,852	429,804
Administrative expenses	11,264	13,051
Selling expenses	5,589	4,430
Interest income	(2,357)	(3,169)
Foreign exchange gain	(3,586)	(3,083)
Miscellaneous income	(1,654)	22
Shut down expense (note 11)	6,895	-
	473,003	441,055
Earnings before interest, taxes, depreciation and amortization	42,492	105,771
Depreciation and amortization	25,750	24,726
Amortization of deferred unrealized foreign exchange loss (gain)	1,598	(360)
Interest on long-term debt	10,444	14,781
	37,792	39,147
Earnings before income taxes	4,700	66,624
Income taxes (note 12):		
Current	2,055	21,294
Deferred	1,248	6,772
	3,303	28,066
Net Earnings	1,397	38,558
Retained earnings, beginning of year	87,560	49,554
Dividends	(2,158)	(552)
Shares repurchased (Note 8)	(4,244)	-
Retained earnings, end of year	\$ 82,555	\$ 87,560
Weighted average number of shares outstanding	8,987,618	9,199,493
Earnings per share	\$ 0.16	\$ 4.19

See accompanying notes to financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Consolidated Statements of Cash Flows

Years ended September 30, 2000 and 1999 (in thousands of dollars)

	2000	1999
Cash provided by (used in):		
Operations:		
Net Earnings	\$ 1,397	\$ 38,558
Items not involving cash:		
Depreciation and amortization	27,348	24,366
	28,745	62,924
Gain on disposal of capital assets	(28)	(18)
Deferred income taxes	1,248	6,772
Change in reforestation obligation	(2,363)	(64)
	27,602	69,614
Change in non-cash operating working capital	(48,792)	26,214
	(21,190)	95,828
Financing:		
Repayment of long-term debt	-	(27,440)
Increase in other long-term liabilities	1,125	(740)
Dividends paid	(2,158)	(552)
Repurchase of shares	(7,705)	-
	(8,738)	(28,732)
Investing:		
Change in investments and advances	(369)	(942)
Proceeds on disposal of capital assets	99	849
Purchase of capital assets	(25,935)	(10,248)
Increase in deferred financing costs	-	(1,030)
	(26,205)	(11,371)
Change in cash position	(56,133)	55,725
Cash position, beginning of year	99,057	43,332
Cash position, end of year	\$ 42,924	\$ 99,057
Supplementary Information:		
Interest Paid	\$ 10,354	\$ 15,406
Income Tax Paid	\$ 26,810	\$ 1,221

See accompanying notes to financial statements.

RIVERSIDE FOREST PRODUCTS LIMITED

Notes to Consolidated Financial Statements

Years ended September 30, 2000 and 1999 (tabular amounts in thousands of dollars)

Riverside Forest Products Limited ("the Company") is amalgamated under the laws of British Columbia and its principal business activities include the production and sale of lumber, plywood, veneer, and wood chips.

1. Significant accounting policies

Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, RFP Timber Ltd.

Inventories:

Inventories, other than parts, are valued at the lower of average cost and estimated net realizable value. Parts inventories are valued at the lower of cost and replacement cost.

Investments and advances:

Investments are recorded at the lower of cost and net realizable value.

Capital Assets:

Land, buildings and equipment are recorded at cost. Depreciation is provided on the straight-line basis at annual rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Buildings	5% and 7%
Machinery and equipment	10% to 20%
Automotive equipment	20%
Logging equipment	5% to 20%

Timber, timber cutting rights, and timber tenures are recorded at cost and are amortized on the straight-line basis over a period of 40 years commencing in the year of acquisition.

Costs relating to roads which will provide economic benefits in future years are capitalized. Road amortization is calculated based on the amount of timber harvested from the date the Company commences using the road.

Acquisition and deferred financing costs:

Costs relating to acquisitions and related financing are treated as follows:

- (i) Costs relating to acquisitions are included in the cost of the acquired assets;
- (ii) Costs relating to equity financing are netted against share proceeds; and
- (iii) Costs relating to debt financing are amortized over the term of the debt.

Reforestation obligation:

The British Columbia Forest Act requires the industry to assume the costs of reforestation on certain harvest licences. Accordingly, the Company records the estimated cost of reforestation as the timber is cut. The costs are included in inventory and cost of sales.

1. Significant accounting policies - (continued)

Foreign currency translation:

Accounts receivable in U.S. dollars covered by forward contracts are translated to Canadian dollars at the related contract rates. Other monetary assets or liabilities and long term debt with a fixed life, are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Any gains or losses relating to the debt are amortized over the life of the debt. All other revenue and expense items are translated at the exchange rate in effect at the transaction date.

Measurement uncertainty:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which require management to make assumptions and estimates that affect the reported amounts and other disclosures. Actual results may differ from these estimates.

The Company's reforestation obligation and the amortization rates of timber and timber cutting rights, timber tenures and road costs are based on various management estimates. Management reviews these estimates on an annual basis and, where necessary, makes adjustments prospectively.

Share-based compensation plans:

The Company has share-based compensation plans as described in Note 8. No compensation expense is recognized for these plans at the date of grant to employees. Any consideration paid by employees on the exercise of share options will be credited to share capital.

2. Operating line of credit

The Company has an available operating line of credit totalling U.S. \$25,000,000 which was unused at September 30, 2000 and 1999. The line of credit bears interest on a sliding scale depending upon the ratio of debt to invested capital and is secured as disclosed in Note 7.

3. Accounts receivable

	2000	1999
Trade accounts receivable	\$ 36,379	\$ 37,781
Other	3,540	3,366
Income taxes recoverable	9,660	-
	\$ 49,579	\$ 41,147

4. Inventories

	2000	1999
Veneer	\$ 875	\$ 1,006
Plywood	8,050	7,382
Finished lumber	8,838	6,799
Rough lumber	5,672	7,151
Logs	32,552	36,372
Parts, supplies, bins, ties and chips	11,818	9,384
	\$ 67,805	\$ 68,094

5. Capital assets

2000			
	Cost	Accumulated amortization	Net
Land, buildings and equipment:			
Land	\$ 2,421	\$ -	\$ 2,421
Buildings	26,921	11,417	15,504
Machinery and equipment	223,772	122,900	100,872
Automotive equipment	18,690	11,623	7,067
Logging equipment	3,719	3,151	568
	275,523	149,091	126,432
Timber and timber cutting rights, timber tenures	84,645	14,161	70,484
Roads	2,915	1,393	1,522
Total	\$ 363,083	\$ 164,645	\$ 198,438

1999			
	Cost	Accumulated amortization	Net
Land, buildings and equipment:			
Land	\$ 2,371	\$ -	\$ 2,371
Buildings	24,610	10,019	14,591
Machinery and equipment	207,552	103,326	104,226
Automotive equipment	11,999	10,234	1,765
Logging equipment	3,431	2,874	557
	249,963	126,453	123,510
Timber and timber cutting rights, timber tenures	84,645	12,153	72,492
Roads	2,915	1,393	1,522
Total	\$ 337,523	\$ 139,999	\$ 197,524

6. Reforestation obligation

		2000		1999
Reforestation obligation, beginning of year	\$	19,357	\$	19,422
Expense for the year		11,342		12,807
		30,699		32,229
Paid during the year		(13,705)		(12,872)
Reforestation obligation, end of year	\$	16,994	\$	19,357
Current, included in accounts payable and accrued liabilities	\$	6,155	\$	8,518
Long term		10,839		10,839
	\$	16,994	\$	19,357

7. Long-term debt

		2000		1999
Senior notes payable at exchange rate on date of issue	\$	112,504	\$	112,504
Unrealized foreign exchange loss		8,856		7,749
	\$	121,360	\$	120,253
Current, included in accounts payable and accrued liabilities	\$	5,131	\$	-
Long-term		116,229		120,253
	\$	121,360	\$	120,253

The Senior Notes have varying maturities and interest rates as follows:

Series	Maturity Date	Interest rate %	U.S. \$
A	May 30, 2003	8.51	\$ 37,475
B	May 30, 2004	8.64	9,525
C	May 30, 2004	8.86	10,000
D	July 17, 2007	8.80	25,000
			\$ 82,000

The note agreement contains covenants requiring the maintenance of certain financial ratios and places limitations on incurring additional debt and on the application of any proceeds from the disposition of assets.

Long-term debt and the operating line of credit are secured by a General Security Agreement over all assets and by charges over specific land and buildings.

The note agreement allows for release of security and the lowering of interest rates if certain financial performance is achieved.

7. Long-term debt - (continued)

Scheduled annual repayments over the remaining term of the long-term debt are as follows:

Year	Based on exchange rate at date of issue	Unrealized Foreign Exchange Loss	Based on exchange rate at September 30, 2000
2001	\$ 4,757	\$ 374	\$ 5,131
2002	35,855	2,823	38,678
2003	24,941	1,963	26,904
2004	24,085	1,896	25,981
2005	7,622	600	8,222
2006	7,622	600	8,222
2007	7,622	600	8,222
	\$ 112,504	\$ 8,856	\$ 121,360

8. Share capital

Authorized: 50,000,000 common shares without par value

Issued:

	Common Shares	
	Number	Amount
Balance, September 30, 1999 and 1998	9,199,493	\$ 81,300
Shares repurchased and cancelled under Normal Course Issuer Bid	391,600	3,461
Balance, September 30, 2000	8,807,893	\$ 77,839

The shares cancelled during 2000 resulted in a charge to retained earnings of \$4.2 million, being the difference between the purchase price and the average issue price of the cancelled shares and a reduction in share capital of \$3.5 million, being the average issue price of the cancelled shares.

Share Option Plan

The Plan provides that the Directors of the Company may grant options to purchase Common shares at issue prices not less than the closing market price of the Common shares on any stock exchange on which they may be listed, on the trading day on which the option is granted. An option will be exercisable for a period of 10 years from the date of granting and have no vesting period, except as determined by the directors at the date of grant. The aggregate number of Common shares reserved for issue under the Plan, plus the number of Common shares reserved for issue under other options granted by the Company must not exceed 10% of the then outstanding Common shares of the Company. No options have been granted under the Plan.

8. Share capital - (continued)

Share Appreciation Rights Plan

The Company has a Share Appreciation Rights plan (SAR) which enables the Directors of the Company to grant SAR's to Management and Directors of the Company. The issue price of the SAR's is equivalent to the market value of the Company's common shares at the date of grant. The rights have an exercise period of ten years and a vesting period of two years from the date of grant. The Company has accrued an amount of \$1.5 million in other long-term liabilities based upon the market value of the Company's common shares at September 30, 2000.

9. Contingency

During 1998, the Company received reassessments that increased the Company's income for tax purposes for the 1993 to 1996 taxation years. Appeals to the Tax Court of Canada have been filed in respect of these reassessments. During 1998, the Company recorded \$450,000 as a charge to the provision for income taxes. The potential additional liability is approximately \$2,150,000 which is composed of current taxes and interest of \$4,750,000 and a deferred tax reduction of \$2,600,000. If the company is not successful in its appeal, any adjustments will be reflected in the period in which they become determinable.

10. Segmented information

The Company manages its business as a single operating segment: solid wood. The Company harvests logs which are sorted by species, size and quality and then manufactured into solid wood products at the Company's facilities. All operations are located in British Columbia, Canada.

The Company sells to both foreign and domestic markets as follows:

	2000	1999
Canada	\$ 224,010	\$ 231,781
United States	225,505	242,525
Europe	3,367	8,717
Japan	60,533	63,096
Other	2,080	707
	\$ 515,495	\$ 546,826

Sales by product line are as follows:

	2000	1999
Stud lumber	\$ 179,662	\$ 203,362
Dimension lumber	83,606	89,249
Plywood	140,251	154,627
Veneer	20,562	24,597
Chips	66,571	54,773
Ties	16,405	18,061
Remanufactured and Other	8,438	2,157
	\$ 515,495	\$ 546,826

11. Shut down expense

The Company permanently curtailed production at its Lumby studmill. After paying severance and costs related to the shutdown, the Company estimates it will incur a loss of \$6.9 million. Estimates of this nature are inherently difficult and any additional loss or recovery will be accounted for in the period in which it becomes determinable.

12. Income taxes

Income tax expense, including both the current and deferred portions, varies from the amounts that would be computed by applying the basic federal and provincial income tax rates to income before taxes, as shown in the following table:

	2000	1999
Basic rate	45.6%	45.6%
Increase (decrease) in tax rate resulting from:		
Amortization on assets for which no tax deduction is available	18.2	1.3
Large corporation tax and capital taxes	19.2	0.5
Manufacturing and processing deduction	(7.0)	(7.0)
Other	(5.7)	1.7
Effective tax rate	70.3%	42.1%

13. Pension plan

In addition to required contributions to a Multi-Employer Pension Plan and a Defined Contribution Plan, the Company contributes to defined benefit pension plans for its salaried and certain non-union hourly wage employees. These plans provide pensions based on length of service and final average earnings. The value of the pension assets as at September 30, 2000 was \$25,187,000 (September 30, 1999 - \$20,651,100). The estimated actuarial liability of pension benefits, as at September 30, 2000 was \$27,825,000 (September 30, 1999 - \$21,586,700). The Company has accrued an amount of \$2,638,000 (September 30, 1999 - \$3,482,000) in other long-term liabilities.

14. Financial instruments

a) Fair Value and Credit Risk

The carrying values of cash, accounts receivable, investments and advances, accounts payable and accrued liabilities, long-term debt and other long-term liabilities approximate their fair value. As at September 30, 2000 and 1999 the maximum credit risk exposure for all financial instruments is the carrying amount of each instrument.

b) Currency Risk

From time to time, the Company enters into hedge arrangements to minimize the effect of currency fluctuations on U.S. dollar denominated receivables. At September 30, 2000 and 1999, the Company does not have significant hedge contracts outstanding.

The Company is exposed to currency risk on its U.S. dollar denominated debt but considers its U.S. dollar denominated revenues to be a natural hedge against this exposure.

BUSINESS OF THE COMPANY

THE COMPANY

Riverside Forest Products Limited is a corporation formed under the Company Act of British Columbia. The Company's head office is located at 820 Guy Street, Kelowna, British Columbia, V1Y 7R5 and its registered and records offices are located at 3000 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3.

The Company has one subsidiary, RFP Timber Ltd., a British Columbia company, all the shares of which are owned by the Company.

Riverside is engaged in the business of harvesting timber and producing lumber, plywood, veneer and wood chips. The Company has a broad market for its products, which are sold in Canada, the United States, Japan and numerous countries in the European Economic Community. Riverside is B.C.'s 8th largest provincial tenure holder with an annual allowable cut of 2.5 million cubic metres as well as the 7th largest lumber producer. The Company is the largest plywood and veneer producer in Canada and has been steadily increasing its production of value-added plywood products in response to changing customer needs. Solid wood products and wood chips are produced at Riverside's four stud lumber sawmills, one dimension lumber sawmill, two plywood plants and one veneer plant. In addition, the Company operates a remanufacturing facility, whole log chipping facilities, a tie treating and processing facility and a seedling nursery and seed orchard.

HISTORY

Prior to its initial public offering, the Company operated for over 45 years as a privately-owned forest products company with its head office and main base of operations located in Lumby, British Columbia.

From a base of 4 mmfbm of annual lumber capacity in 1962, the Company has acquired and consolidated more than 19 operations and now has an annual capacity of 666 mmfbm of lumber, 400 mmsf of plywood, 631,000 bdu's of wood chips and 175 mmsf of veneer.

The Company made its initial public offering of securities on December 30, 1992. Its common shares are currently listed on the Toronto Stock Exchanges.

The Company's principal mill acquisitions since 1992 are as follows:

		<u>Capital Assets</u>	<u>Working Capital</u>	<u>Total \$</u>	<u>AAC (m³)</u>
Nov 92 Crown Forest Industries Limited (CFI)	Armstrong and Kelowna plywood plants and stud mills	\$ 62,905	\$ 5,524	\$ 68,429	951,544
Apr 94 Jacobson Bros. Forest Products Ltd. (JBFPL)	Williams Lake dimension lumber mill	\$ 67,500	\$ 15,699	\$ 83,199	492,700
June 97 TimberWest Forest Limited (TFL)	Soda Creek stud mill and Ashcroft tie treating plant	\$ 58,560	\$ 14,976	\$ 73,536	589,934
		<u>\$188,965</u>	<u>\$ 36,199</u>	<u>\$225,164</u>	<u>2,034,178</u>

These acquisitions were originally financed as follows:

	<u>Debt</u>	<u>Issuance of Equity</u>	<u>Assumption of Silviculture Obligation</u>	<u>Cash</u>	<u>Total</u>
CFI	\$ 32,000	\$ 32,103	\$ 7,702	\$ (3,376)	\$ 68,429
JBFPPL	41,542	25,587	4,500	11,570	83,199
TFL	<u>33,422</u>	<u>23,606</u>	<u>8,444</u>	<u>8,064</u>	<u>73,536</u>
	<u>\$ 106,964</u>	<u>\$ 81,296</u>	<u>\$ 20,646</u>	<u>\$ 16,258</u>	<u>\$ 225,164</u>

TIMBER RESOURCES

The Company holds one tree farm licence, seven renewable forest licences, two non-renewable forest licences, two renewable timber sale licences, three timber licences, and has agreements with two independent licensees for the right to harvest portions of their timber tenures.

The timber licences include a timber licence in the Okanagan TSA which is estimated to supply 1,200,000 cubic metres in total in the next 32 years. The potential annual harvest from this timber licence for the next five years is 40,000 cubic metres per year. The Company also has two timber licences in the Revelstoke TSA which are estimated to supply 300,000 cubic metres in total over the next 26 years, with a potential annual harvest of 20,000 cubic metres per year for the next five years.

The following table details the timber tenures and the associated harvest levels or AAC of the Company:

<u>Tenure Type</u>	<u>Harvest level or AAC (cubic metres)</u>	<u>TSA</u>
Tree Farm Licence		
TFL 49	343,095	n/a
Forest Licences		
FL A18667	767,413	Okanagan
FL A18697	19,340	Merritt
FL A18689	34,133	Kamloops
FL A20191	52,552	Arrow
FL A20015	378,571	Williams Lake
FL A20016	114,129	Williams Lake
FL A55904 ⁽¹⁾	50,000	Williams Lake
FL A20019	407,621	Williams Lake
FL A54417 ⁽¹⁾	180,000	Williams Lake
Timber Sale Licence		
A 20170	7,609	Boundary
A 19993	2,313	Quesnel
Tenures of Third Parties ⁽²⁾	105,282	
Timber Licences ⁽³⁾		
One	40,000	Okanagan
Two	<u>20,000</u>	Revelstoke
TOTAL	<u>2,522,058</u>	

(1) Non-replaceable forest licence (expires December 31, 2001)

(2) One tenure is a renewable forest licence representing 33,710 cubic metres per year, one tenure is a renewable timber sale licence representing 11,572 cubic metres per year and one tenure is a non-renewable forest licence representing 60,000 cubic metres per year (expires December 31, 2000)

(3) Estimated annual harvest levels.

Forest Tenures

Approximately 95% of all timberlands in British Columbia are owned by the Province of British Columbia and administered by the Ministry of Forests of British Columbia (the "Ministry of Forests"). The *Forest Act* of British Columbia empowers the Ministry of Forests to grant timber tenures including tree farm licences, forest licences, timber licences and timber sale licences, authorizing timber harvesting on government-owned timberlands.

Tree Farm Licence (TFL)

A tree farm licence is an area-based tenure. It is granted to a licensee who undertakes to manage an area of timberland to yield an annual harvest on a sustained yield basis. The licence is for a term of 25 years and is replaceable for a further 25 years, every 5 years.

Forest Licence (FL)

A forest licence is a volume-based tenure. It grants the right to harvest a specific volume of timber on public lands in a forest area managed by the Ministry of Forests called a timber supply area ("TSA"). A replaceable forest licence has an initial term of 20 years and is replaceable every five years for a further 15-year term. Replacement of forest licences and tree farm licences is subject to satisfactory performance by the licensee and to agreement on terms between the licensee and the Ministry of Forests.

Timber Sale Licence (TSL)

A timber sale licence is a licence to harvest a specified volume of timber within a TSA managed by the Ministry of Forests. Timber sale licences have a term of 10 or fewer years and may or may not be replaceable, depending upon the terms of the licence.

Timber Licence (TL)

A timber licence grants the licensee the right to harvest all merchantable timber from a prescribed area over a specified term, usually from 40 to 60 years.

AAC Determination

The AAC under a tree farm licence, timber sale licence and forest licence is determined by the Ministry of Forests. In all cases, the AAC of a tree farm licence or the TSA in which forest licences and timber sales licences are issued must be approved by the Chief Forester of the Province of British Columbia. For forest licences and tree farm licences the actual harvest by the licensee may differ from the prescribed AAC, at the licensee's option, by up to 50% on an annual basis. However, the average harvest must be within 10% of the AAC over each five year cut control period. Within the recent five year cut control periods, the Company's harvest on its Crown timber tenures averaged 100% of the AAC.

The AAC available to the holders of forest licences and timber sale licences within a TSA is periodically assessed by the Province's Chief Forester. As a result of data presented in these reviews, the Chief Forester may set a new AAC for each TSA. Timber Supply Reviews were last completed during 1996 for TSA's within which Riverside had operations, with no change in the AAC available to the Company. Timber Supply Reviews will again be conducted within five years for those TSA's.

The AAC on the Company's tree farm licence (TFL 49) is reviewed by the Chief Forester every five years when the Company submits its Management Plan for this licence. The Company's latest Management Plan for TFL 49 has been approved by the Ministry of Forests for the period from January 1, 1999 to December 31, 2003. This management plan allocates to the Company an AAC of 343,095 cubic metres.

Stumpage and Royalties

The British Columbia government periodically establishes the fees to be paid for the right to harvest timber. Assessments for harvesting public timber are called "stumpage" and are based on the amount of timber harvested by the operator and the stumpage rate then in effect. The current stumpage system was introduced in October 1987 and is designed to generate a specific average or target stumpage rate. Stumpage rates charged for specific stands of timber are adjusted from the average stumpage rate on the basis of the quality of timber, the estimated operating costs, and the market value of the logs harvested. Stumpage rates are assigned on a non-competitive basis for all forest licences, tree farm licences and some timber sale licences. Stumpage in respect of timber harvested under most timber licences is paid at a reduced rate and escalates each year, such that it will equal stumpage on other tenures by April 1, 2001.

Forest Management

Forest land in each TSA and TFL is managed on a sustained yield basis incorporating integrated resource management concerns of the Ministry of Forests. Licensees are required to carry out certain forest management activities in conjunction with their harvesting activities. These include management plans, forest development plans, engineering and road layout, timber cruising for appraisal purposes, silviculture prescription obligations and basic silviculture. Prior to harvesting, cutting permits are required from the Ministry of Forests and the Ministry of Forests must approve the Company's silviculture prescription and logging plan for the logging site. Under the *Forest Practices Code of British Columbia Act*, reforestation and associated costs for areas on provincial land logged after October 1, 1987 are the responsibility of the licensee. After harvesting, the licensee must assess any logging residue and has an ongoing obligation to regenerate all areas harvested. The Company's existing silviculture program regenerates all lands harvested, within the time period established by the Ministry of Forests, through a mixture of tree-planting and natural regeneration to satisfy standards set by the Ministry of Forests and the Forest Practices Code.

Seedling Nursery and Seed Orchard

The Company owns a seedling nursery and seed orchard located in Armstrong. This facility consists of a nursery (which produces seedlings in containers) with glass greenhouses and an outdoor growing compound and three seed orchards. The purpose of the nursery and seed orchard facility is to supply improved seeds and seedlings for reforesting the Company's harvested areas. The nursery and seed orchard facility currently produce 4.7 million seedlings per year. The controlled environment in the greenhouses gives this facility the flexibility to produce a variety of species and stock types.

The seedling nursery satisfies 40% of the planting requirements of the Company, the balance of which are satisfied by special stock purchased from other nurseries. Seedlings may also be grown and sold under contract to the Ministry of Forests and to other local forest companies.

Logging Operations

The logging operations of the Company are located in the Southern Interior and Cariboo regions of British Columbia. Logging of provincial timber allocated to the Company under its timber tenures is all conducted by independent contractors, with many of whom the Company has been associated for many years.

The logging operations conducted by the Company's contractors include all phases of timber harvesting, including falling, bucking, skidding or yarding of logs and hauling to the relevant timber processing facility. All of these operations are very tightly controlled by the Company and the Ministry of Forests. The majority of logs delivered to the Kelowna facility are first sorted and boomed at a booming ground located on Lake Okanagan and are then towed across the lake to the mill. Experimentation with alternative logging methods, where appropriate, to reduce clear cutting and lessen the impact of logging on forest soils is part of the Company's ongoing commitment to responsible use of the forest resource.

Purchased Wood

The Company's harvesting rights provide about 60% of its mill requirements. Approximately 1,400,000 cubic metres of additional logs required are purchased from private landowners and from small businesses pursuant to the Ministry of Forests' Small Business Forest Enterprise Program. The Company has historically been able to supply all logs required for its facilities. Where logs from the Company's tenures are unsuitable for the Company's operations, such as cedar, white pine, yellow pine and hardwood logs, they are either traded for suitable species or sold on the open market.

The following table shows the Company's log production by timber source for the past three years.

	<u>Year Ended September 30</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Timber Tenures	2,429,945	2,476,569	2,342,274
Purchased Wood.....	<u>1,138,828</u>	<u>1,390,631</u>	<u>843,254</u>
Total	<u>3,568,773</u>	<u>3,867,200</u>	<u>3,185,528</u>
Log Usage	<u>3,702,898</u>	<u>3,706,182</u>	<u>3,304,792</u>

MANUFACTURING FACILITIES

The Company operates ten manufacturing facilities at seven separate locations: a studmill and plywood plant at Armstrong, a studmill and plywood plant at Kelowna, a remanufacturing facility at Winfield, a recovery lumber mill and veneer plant at Lumby, a dimension lumber sawmill and studmill at Williams Lake (the Williams Lake Facility and Soda Creek) and a tie treating and processing plant at Ashcroft. The production capacities and production over the past five years are as follows:

	<u>Capacity</u>	<u>2000</u>	<u>1999⁽²⁾</u>	<u>1998</u>	<u>1997⁽¹⁾</u>	<u>1996</u>
STUDMILLS						
Armstrong	160	140	140	118	122	110
Kelowna	160	153	149	141	130	132
Lumby	5	60	64	58	62	68
Soda Creek	<u>116</u>	<u>112</u>	<u>112</u>	<u>126</u>	<u>39</u>	<u>-</u>
Total	<u>441</u>	<u>465</u>	<u>465</u>	<u>443</u>	<u>353</u>	<u>310</u>
DIMENSION LUMBER MILL						
Williams Lake	<u>225</u>	<u>218</u>	<u>211</u>	<u>173</u>	<u>145</u>	<u>145</u>
VENEER PLANT						
Lumby	175	167	169	144	154	160
Less veneer utilized internally	<u>75</u>	<u>77</u>	<u>72</u>	<u>53</u>	<u>64</u>	<u>89</u>
Total	<u>100</u>	<u>90</u>	<u>97</u>	<u>91</u>	<u>90</u>	<u>71</u>
PLYWOOD PLANTS						
Armstrong	250	246	252	198	216	226
Kelowna	<u>150</u>	<u>150</u>	<u>149</u>	<u>124</u>	<u>143</u>	<u>138</u>
Total	<u>400</u>	<u>396</u>	<u>401</u>	<u>322</u>	<u>359</u>	<u>364</u>
WOOD CHIPS ⁽³⁾						
Armstrong	180	157	164	129	131	123
Kelowna	165	157	150	121	95	111
Lumby	25	65	67	58	65	71
Soda Creek	100	95	109	124	36	-
Williams Lake	<u>145</u>	<u>145</u>	<u>135</u>	<u>116</u>	<u>92</u>	<u>88</u>
Total	<u>615</u>	<u>619</u>	<u>625</u>	<u>548</u>	<u>419</u>	<u>393</u>

(1) Includes Soda Creek for the period from June 23, 1997 to September 30, 1997

(2) Includes production from Soda Creek old studmill which ceased operation, December 18, 1998

(3) Includes capacity related to whole log chippers in Armstrong, Kelowna and Soda Creek

Armstrong

The Armstrong facility was built in 1971 and is located on a 71-hectare site 16 kilometers north of Vernon, British Columbia. The facility consists of a plywood plant and studmill. The plywood plant consists of two lathes to manufacture veneer, four veneer dryers, a flexible value added lay-up system, two presses, finishing end saws, patch line and a six head sander. This plant is the largest plywood plant in Canada and runs 95% to custom orders and custom sanded products.

The Armstrong sawmill has benefited greatly from the installation of a state-of-the-art small log line. Each block is now scanned for optimal value recovery, rotated, then rescanned for canter offset. The cant is then rescanned and optimized in a thin kerf gang edger with curve sawing capability. The new equipment, together with the end dogger for larger logs, makes the Armstrong studmill one of the most efficient sawmills in Canada.

Ashcroft

The Ashcroft facility is currently one of two operating tie-treating plants in British Columbia, treating 600,000 railroad ties and 1.9 mmfbm of bridge timbers and switch ties annually under contracts with the three major railroad companies in Western Canada.

Kelowna

The Kelowna facility is located on an 11-hectare site in Kelowna, British Columbia. The facility consists of a studmill, a plywood plant and a log processing facility.

The plywood plant has one lathe, three veneer dryers, a flexible value-added lay-up system, two presses, a sizing saw line, two patch lines and a six-head sander.

The studmill has two primary breakdown lines, which have been updated with state-of-the-art optimization systems. All lumber is dried in one of four steam-heated dry kilns and then planed through a high speed planer. Value added products, such as J-grade, are extracted from the flow and processed over a precision end-trimmed (PET) system.

The centralized log processing operation at the Kelowna facility provides eight-foot debarked logs to both the plywood plant and the studmill.

The wood waste-fueled co-generation facility at Kelowna produces 100% of the electricity consumed at the mill and supplies processed steam for dry kilns, veneer dryers and plywood hot presses.

Lumby

The Lumby facility consists of a modern green veneer plant and lumber recovery mill located on a 36-hectare site 18 kilometers east of Vernon, British Columbia.

The veneer plant, which was constructed in 1974, has been continually upgraded as new technology and equipment has been developed. At present, this veneer mill has one of the most sophisticated and fastest peeling systems in North America. The Lumby plant produces and sells veneer to plywood plants in Canada and the United States, as well as providing veneer for internal consumption by the Armstrong and Kelowna facilities.

On July 20, 2000 the Company announced a curtailment of lumber production in its Lumby division, which took effect October 15, 2000. The sawmill was reduced to a one-shift crew of 10 people. The employees of the veneer and woodlands operations at Lumby have not been affected.

The Lumby sawmill has not been profitable for several years. The Company based its decision on economic factors including increasing operating costs, fluctuating lumber markets, restricted access to U.S. customers and the need to secure a long-term sustainable log supply.

The impact of this measure could have had more than 100 people out of work by mid October 2000. To mitigate this result, the Company worked jointly with the IWA to develop a solution to accomplish three objectives:

- 1) take care of Lumby employees through enhanced packages and new employment opportunities in other operations;
- 2) generate voluntary and enhanced packages for employees in Kelowna and Armstrong that would also create new opportunities for Lumby employees; and
- 3) generate strategies to improve the ongoing viability of the Company's plywood business.

The result of the process was:

- 1) placement of 60 of the Lumby employees within the Okanagan operations;
- 2) assistance for 20 employees who chose to go back to school (post secondary education);
- 3) an agreement with Okanagan plywood dry-end employees that enhances the Company's competitiveness.

Soda Creek

The Soda Creek facility is located in Williams Lake, British Columbia on approximately 56 hectares of land and includes a studmill, a planer mill, a finger-jointing plant, dry kilns, a whole log chipping facility and supporting forestry operations. The studmill produces lumber for North American markets. The annual production capacity of the studmill is 116 mmfbm of lumber (of which approximately 6 mmfbm is used in the finger-jointing plant) and 73 mbdu of wood chips. The annual production capacity of the whole-log chipping facility is 30 mbdu of wood chips.

The finger-jointing plant recovers short lengths of lumber from the studmill and converts them into higher value structural lumber products. The finger-jointing plant has a potential capacity of 25 mmfbm when additional volumes of lumber are obtained from external sources.

The Soda Creek facility has undergone an \$11 million modernization project which involved building a modern, single-line mill using the existing inactive dimension mill infrastructure. This mill became operational in the fall of 1996. The old studmill at Soda Creek was decommissioned on December 18, 1998. The equipment was dismantled in the fall of 1999.

The Soda Creek operations include a whole log chipping facility which was constructed in 1990 and expanded in 1992 and 1994. This facility chips pulp logs for sale to affiliates of Fletcher Challenge Canada Limited under fibre supply contracts. Arrangements are also made with other operations in the area to custom chip logs and yard debris.

Williams Lake

The Williams Lake Facility is situated on approximately 25 hectares of land. The operations include a log storage yard, a three line sawmill, a single line planer mill, four dry kilns, two mobile machine repair and maintenance shops.

The sawmill produces SPF and Douglas Fir lumber for the North American and Asian markets, as well as a small amount of Cedar lumber. The mill produces random length dimension lumber ranging from 1x4 to 2x12, in a variety of lengths up to 24 feet. The mill also manufactures 2 1/2" Fir stock for the Belgium market, as well as Genban, Neda, Sujikai and Lamstock for the Japanese market. The Division also produces Machine Stress Rated (MSR) lumber predominantly for the North American market.

Winfield

During 1995, Riverside Forest Products Limited built a 36,000 square foot "value added" manufacturing facility in an industrial park in Winfield, British Columbia. Situated on seven acres, the facility manufactures high grade plywood fruit harvesting bins and any repair parts necessary for repair of existing bins for growers in both the Okanagan Valley and Washington State.

In addition, this facility is also adding value to plywood panels from the Company's Kelowna and Armstrong plywood plants by recutting them to specific customer sizes before shipment, primarily to Japan. These recut panels can be edge profiled with a tongue and groove profile if requested by the customer.

SALES AND MARKETING

The markets in which the Company sells its three major products, stud lumber, dimension lumber and plywood, are highly competitive. Customers have many choices of suppliers and determine their purchases based on product quality, price and service. The prices of both lumber and plywood are dependent upon supply and demand and are subject to factors specific to each commodity.

The Company has a complete in-house sales and support staff to sell its products. North American lumber and plywood sales are usually not contracted beyond five weeks, although yearly volume commitments are common.

North American sales are predominantly to wholesalers and stocking distributors on a cash basis with payment within 10-15 days of shipment. Sales to continental Europe are through independent sales agents while sales to the United Kingdom are to a stocking distributor and sales agent. Japanese sales are made directly to trading houses, wholesalers and housing companies from the Company's Kelowna sales office. Offshore sales can extend three to four months but most often fall into a two-month period. Letters of credit and cash against documents are the usual form of payment for these sales. The Company has not experienced any significant bad debts.

All of Riverside's panel products are certified by the Canadian Plywood Association to CSA Standards. They also meet the Japanese JAS certification and the specific grading requirements of many European countries. Shipments to the United States market are under PS1 Certification, which meets the requirements of the three U.S. Building Codes.

The Company's lumber products are graded under the National Lumber Graders Authority Standard Grading Rules for Canadian Lumber and approved by the Canadian Lumber Standards Association. The lumber produced at the Armstrong, Kelowna and Lumby mills is graded under the Interior Lumber Manufacturer's Association (ILMA) grading agency. These mills are also certified to grade to Japanese Agricultural Standards (JAS). Production at Williams Lake and Soda Creek is graded under the Cariboo Lumber Manufacturer's Association (CLMA) grading agency and is also certified to grade to Japanese Agricultural Standards (JAS).

WOOD CHIPS AND FIBRE SALES

The Company has a chip supply agreement with CFI pursuant to which the Company supplies CFI's pulp mills with a certain volume of wood chips from the Armstrong and Kelowna operations over an indefinite term at south interior region market prices. The balance of the Company's chip production from these facilities will continue to be sold pursuant to existing agreements between the Company and other users of chips.

The majority of the wood chips produced at Lumby are sold to a single purchaser. Most of the balance of the wood chips from Lumby are sold to another forest products company.

Wood chips produced by Soda Creek are sold at long-term market prices to affiliates of Fletcher Challenge Canada Limited under an indefinite term supply agreement similar to the agreement between the Company and CFI. Sometimes whole log chips are sold on the open market.

The Company owns approximately 28.7% of Fibreco Export Inc., a company owned by a group of sawmill companies based in the Interior region of British Columbia, which operates a wood chip terminal in Vancouver harbour.

HUMAN RESOURCES

The Company's employment base is relatively stable, with only slight variations due to seasonal demands. The following table sets out the number of active hourly and salaried employees as at September 30, 2000.

	<u>Hourly</u>	<u>Salaried</u>	<u>Total</u>
Armstrong	597	66	663
Ashcroft	14	7	21
Kelowna	411	109	520
Lumby ⁽¹⁾	113	36	149
Soda Creek	181	20	201
Williams Lake	220	82	302
Winfield	<u>4</u>	<u>4</u>	<u>8</u>
	<u>1,540</u>	<u>324</u>	<u>1,864</u>

(1) October 15 (after the studmill curtailment)

All of the hourly employees are members of I.W.A. - Canada. Independent contractors, who do most of the logging, site preparation and tree planting, employ an additional 1,000 people.

ENVIRONMENT

Riverside's mill and forestry operations are regulated by federal and provincial environmental legislation, including the Waste Management Act (British Columbia), the Forest Practices Code of British Columbia Act (British Columbia), the Fisheries Act (Canada) and the Canadian Environmental Protection Act (Canada). Management believes that Riverside has all major environmental permits necessary to conduct its operations and that its operations are in substantial compliance with all environmental legislation.

As a result of changing public concern about timber harvesting practices, claims for competing land use and preservation of mature and old growth forests, new laws and regulations have been enacted that may affect future forest management decisions, including the British Columbia Forest Practices Code. Special interest groups have taken action in a number of areas in British Columbia to prevent logging by forestry companies and are lobbying to have lands withdrawn from timber production. Some special interest groups have also attempted to deter European and United States purchasers from buying British Columbia forest products. In addition, growing public concern over emissions and discharges by industry production facilities has resulted in increasingly stringent regulatory requirements, resulting in increased compliance and administrative costs.

The major environmental issues for plywood, veneer and lumber producers in the interior of British Columbia are the use of anti-sap stain chemicals and the disposal of wood waste. Anti-sap stain chemicals are not used at any of Riverside's facilities. Wood waste is burned and small amounts are land-filled pursuant to permits issued by the Ministry of Environment. Riverside is co-operating with regulatory officials to address concerns with respect to independent environmental liability at any of the mills. Ongoing monitoring of environmental performance is done by a Company audit team with the help of a consultant, who together identify situations that require corrective or precautionary action.

DIRECTORS AND OFFICERS

The names and municipalities of residence, offices held with the Company and principal occupations of the directors and officers of the Company are as follows:

<u>Name, Municipality of Residence, Period During Which Director Served as a Director and Office Held</u>	<u>Principal Occupation</u>
MORRIS J. DOUGLAS Kelowna, B.C. Vice-President, Sales and Marketing	Vice-President, Sales and Marketing of the Company
JOHN F. ELLETT ⁽¹⁾⁽³⁾ Vernon, B.C. Director from November 20, 1992 to present	Retired Businessman
WILLIAM G. McINTOSH ⁽¹⁾⁽³⁾ Vancouver, B.C. Director from February 1, 1993 to present	Retired Bank Executive
GEORGE L. MALPASS ⁽¹⁾⁽³⁾ Vancouver, B.C. Director from January 27, 1997 to Present	President and Chief Executive Officer of Primex Forest Products Limited
JOHN S. MARRITT ⁽²⁾ Kelowna, B.C. Vice-President, Woodlands	Vice-President, Woodlands of the Company
MICHAEL E. MOORE Vernon, B.C. Secretary Treasurer and Chief Financial Officer	Chief Financial Officer of the Company
GERALD E. RABOCH ⁽¹⁾ Vernon, B.C. Director from June 1, 1978 to present Chief Operating Officer	Chief Operating Officer of the Company
GORDON W. STEELE ⁽¹⁾ Vernon, B.C. Director from June 1, 1978 to present President and Chief Executive Officer	Chairman, President and Chief Executive Officer of the Company

(1) Denotes members of the Audit Committee

(2) All of the directors and officers have been engaged in the principal occupations listed throughout the five preceding years, except for John S. Marritt who, prior to October 1, 1997, was President of the Interior Lumber Manufacturers Association.

(3) Denotes members of the Compensation Committee.

All directors have a term of office of one year and therefore must, if re-nominated, stand for election at each annual general meeting of the Company. As of November 13, 2000 all of the directors and officers of the Company as a group owned 2,044,075 Common Shares representing 23.2% of all of the issued and outstanding shares of the Company. Included in this number of shares are the 2,016,000 Common shares owned by W.H. Steele Lumber Co. Ltd., the shares of which are owned beneficially directly and indirectly as to approximately 66.7% by Gordon Steele and his family and as to approximately 33.3% by Gerald Raboch and his family.

DIVIDENDS

During the fiscal years ended September 30, 2000 and September 30, 1999 the Company paid dividends on the outstanding Common Shares as of the date of record as follows:

<u>Date of Record</u>	<u>Date of Payment</u>	<u>Dividend per Common Share</u>
August 2, 1999	August 10, 1999	\$0.06
November 15, 1999	November 22, 1999	\$0.06
February 8, 2000	February 15, 2000	\$0.06
May 3, 2000	May 10, 2000	\$0.06
August 3, 2000	August 10, 2000	\$0.06
November 1, 2000	November 8, 2000	\$0.03

The declaration and payment of dividends is at the discretion of the Company's directors. The Company's dividend policy is to pay a quarterly dividend at a rate that is sustainable over a range of economic conditions. On January 26, 1998 the Board of Directors resolved to suspend the payment of dividends effective with the December 1997 quarter until such time as economic certainty returned. With the improved economic results of the 1999 fiscal year, the Board re-introduced the payment of the quarterly dividend effective with the August 1999 dividend and declared a \$0.06 per share dividend payable August 10, 1999 to shareholders of record August 2, 1999. With the poor results of the September 2000 quarter, the Board resolved to reduce the quarterly dividend from \$0.06 per share to \$0.03 per share. If circumstances warrant, stock dividends may be paid in lieu of cash dividends. The loan agreements in respect of the Company's long-term and operating debt also restrict corporate distributions if certain criteria are not met.

SHARE CAPITAL AND MARKETS FOR SECURITIES

The authorized capital of the Company consists of 25,000,000 common shares, each of which entitles the holder to vote at general meetings of the Company and ranks equally with the others with respect to the payment of dividends and the distribution of assets on the dissolution, liquidation or winding-up of the Company.

The Company's Common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol RFP.

ADDITIONAL INFORMATION

Additional information, including director's and officers' remuneration and indebtedness, corporate governance, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular dated December 8, 2000, which relates to the annual general meeting of shareholders to be held January 22, 2001.

The Company will provide to any person, on request to the Secretary Treasurer of the Company:

- (a) when the Company's securities are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference herein;
 - (ii) one copy of the Comparative Financial Statements of the Company for its most recently completed financial year, together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;

- (iii) one copy of the Information Circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or of any annual filing prepared in lieu of that Information Circular, as appropriate, and
- (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not described under (i) to (iii) above, or
- (b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, for which the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

For copies of documents, please contact Mr. Michael E. Moore, Secretary Treasurer, at 820 Guy Street, Kelowna, British Columbia, V1Y 7R5, telephone (250) 762-3411, telecopier (250) 861-6991 (email - investorrelations@riverside.bc.ca).

